

# Australia, the Southwest Pacific, and United States Interests

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## SUMMARY

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The major U.S. interests in the Southwest Pacific are preventing the rise of terrorist threats, working with and maintaining the region's U.S. territories, commonwealths, and military bases (American Samoa, Guam, the Northern Mariana Islands, and the Reagan Missile Test Site on Kwajalein Atoll in the Marshall Islands), and enhancing U.S.-Australian cooperation in pursuing mutual political, economic, and strategic objectives in the area. The United States and Australia share common interests in countering transnational crime and preventing the infiltration of terrorist organizations in the Southwest Pacific, hedging against the growing influence of China, and promoting political stability and economic development. The United States has supported Australia's increasingly proactive stance and troop deployment in Pacific Island nations torn by political and civil strife such as East Timor, Papua New Guinea, and the Solomon Islands. Australia may play a greater strategic role in the region as the United States seeks to redeploy its Asia-Pacific force structure. This report will be updated as needed.

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## U.S. Interests in the Southwest Pacific

The major U.S. interests in the Southwest Pacific are preventing the rise of terrorist threats, working with and maintaining the region's U.S. territories, commonwealths, and military bases (American Samoa, Guam, the Northern Mariana Islands, and the Reagan Missile Test Site on Kwajalein Atoll in the Marshall Islands), and enhancing U.S.-Australian cooperation in pursuing mutual political, economic, and strategic objectives in the area.<sup>1</sup> In a hearing before the Subcommittee on East Asia and the Pacific of the House Committee on International Relations (July 23, 2002), several key issues were raised regarding U.S. interests in the Southwest Pacific. These include the vulnerability of small Pacific Island nations and "failed states" to transnational crime, including money laundering and drug trafficking; the threat of infiltration by terrorist groups or individuals; and environmental problems. Many analysts have posited a link between political instability and poverty in many Pacific Island nations and their attraction to organized crime and terrorists.<sup>2</sup>

Since the end of World War II, the United States has commanded unimpeded military access to the Southwest Pacific, although its involvement in the region, with the exception of its military bases on Guam and Kwajalein Atoll (Marshall Islands), has been low key. The United States diplomatic presence and foreign aid fell during the 1990s, except for its economic assistance to the Freely Associated States of the Marshall Islands, Micronesia, and Palau. The United States has increasingly relied upon Australia to promote shared strategic interests as well as political and economic stability in the region. Until recently, Australia was careful not to intervene directly in domestic political upheavals.<sup>3</sup> Instead, it pursued a strategy of greater cooperation and regional assistance through participating in Pacific Island organizations such as the South Pacific Forum, extending bilateral assistance, and promoting public and private sector reforms.<sup>4</sup>

The Australian government under Prime Minister John Howard has been a forceful advocate of a more interventionist strategy in a region where political and economic conditions have deteriorated, especially after the Bali terrorist bombing of September 2002. As part of its effort to promote regional stability and prevent Pacific island nations from becoming havens for transnational crime and terrorism, Australia, along with New Zealand and other Pacific Island nations, has deployed troops in East Timor, Papua New Guinea, and the Solomon Islands. Other initiatives include heading the Pacific Islands Forum Secretariat through an Australian diplomat, Greg Urwin; financing a police training center in Fiji that would train officers from the Pacific Islands for domestic and regional operations;<sup>5</sup> conditioning bilateral assistance on improved governance; and promoting the creation of a federation of small Pacific Island nations that would

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<sup>1</sup> For a description of the Kwajalein Missile Base, see CRS Report RL31737, *The Marshall Islands and Micronesia: Amendments to the Compact of Free Association with the United States*, by Thomas Lum.

<sup>2</sup> The Pacific Island nation of Nauru is on the OECD list of money-laundering states. "Tiny Pacific Island's Passport Sales is a 'Big Worry' for U.S. Officials," *PACNEWS*, May 19, 2003.

<sup>3</sup> Tony Parkinson, et. al., "Pacific's Worsening Crisis: Pacific Islands Flashpoints," *The Press* (Christchurch), June 9, 2000.

<sup>4</sup> "Australia's Renewed Commitment to the South Pacific," Alexander Downer, Minister for Foreign Affairs, to the Center for South Pacific Studies, University of South Wales, July 1996.

<sup>5</sup> Virginia Marsh, "Australia to Seek Wider Involvement in Papua New Guinea," *Financial Times*, October 6, 2003; "Australian Forces Must Expand Focus in Solomons, Consult with Islanders," *East-West Wire*, July 22, 2003.

pool national resources and share governmental responsibilities and services in order to make them viable states.<sup>6</sup>

For the most part, Pacific Island nations reportedly have accepted Australia's leadership as necessary and agreed to the focus on security adopted by Australia and the United States. The mutual emphasis on security was reflected in the Nasonini Declaration on Regional Security adopted by the Pacific Islands Forum in August 2002, in which members agreed that law enforcement cooperation should remain an important focus for the region.<sup>7</sup> In October 2003, leaders from 13 Pacific Island nations and Hawaii gathered at the East-West Center in Honolulu to discuss regional security issues and meet with President Bush. President Bush told regional leaders that the United States would share intelligence to help them meet their security needs.<sup>8</sup>

## **The Evolving U.S.-Australian Strategic Relationship**

In recent years, Australia has been reorienting its foreign and defense policies, reemphasizing the importance of the United States to Australia. Australia's external orientation has shifted from an emphasis on Asian engagement, under the leadership of former Labor Prime Minister Paul Keating and his Foreign Minister Gareth Evans, to renewed emphasis on the United States alliance under current Liberal Prime Minister John Howard who has been in office since 1996. Prime Minister Howard has taken the position that Australia does not have to choose between its history and its geography, meaning that it can have close ties with Europe and America while also enjoying productive relationships with Asian states. This shift in relative emphasis came about for a number of reasons, including the reluctance of the Australian people to see themselves as Asian; a reluctance of Asian states, such as Malaysia, to think of Australia as part of Asia; diminished potential rewards of Asian engagement in the wake of the Asian financial crisis of 1997; and renewed importance to Australia of the strategic relationship with the United States as a result of the war against terror.

The Howard Government's support of the United States in the war against terror has brought the United States and Australia closer together as Australia invoked the ANZUS alliance in the wake of the 9/11 attacks to help the United States. Australia maintained its tradition of fighting alongside the United States, as it did in WWI, WWII, Korea, Vietnam and the first Gulf War, by committing troops to recent United States operations in Afghanistan and Iraq. By doing so, in an international environment that was largely unwilling to supply combat troops in support of the United States in Iraq, Australia, along with Britain, drew attention to itself as a loyal ally. This policy of support for the United States was continued by the Howard Government despite significant opposition to the war in Australia. The Bush Administration recognized Australia's value to the United States and the Asia Pacific region in the following statement:

Australia has long been a steadfast ally and partner, and recent events have only magnified the value of our alliance with it. The key role that Australia's brave forces played in Iraq and Afghanistan, and its commitment to a leading role in regional security, only demonstrate Australia's growing importance.<sup>9</sup>

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<sup>6</sup> Janaki Kremmer, "A proposal for European-style regional cooperation includes peacekeeping in Solomon Islands and Economic Integration," *Christian Science Monitor*, August 1, 2003.

<sup>7</sup> "The Unpacific Pacific," *The Economist*, August 23, 2003.

<sup>8</sup> "Bush Listens Closely, Strengthens Relations with Pacific Island Nations," *East-West Wire*, October 24, 2003.

<sup>9</sup> Peter Rodman, Assistant Secretary of Defense, "Prepared Statement for the House International Relations Committee - Subcommittee on Asia and the Pacific," June 26, 2003.

To complement its strong political and strategic ties with the United States, Australia is seeking a free trade agreement (FTA) with the United States.<sup>10</sup> A fifth round of FTA negotiations were held in December of 2003.

While Australia has hosted joint early warning, communications and intelligence facilities for decades, it may play an increasingly important strategic role as the United States seeks to redeploy its Asia-Pacific force structure. This would be part of the Department of Defense plans reportedly to effect “the greatest change in the U.S. overseas military posture in 50 years.”<sup>11</sup> Positioning of American forces in Australia has been discussed in the past. In 1996, then Commandant of the United States Marine Corp, General Krulak advocated expanding joint training and the pre-positioning of military supplies in Australia.<sup>12</sup> More recently, Australia has been discussed as a potential site for an expanded American military presence to be better situated to fight the war on terror.<sup>13</sup> The Department of Defense is reportedly developing a new “overseas basing strategy to support current and future U.S. defense requirements.”<sup>14</sup> Australian Prime Minister Howard reportedly has stated that he would consider allowing an additional American military presence in Australia. In June 2003, Australian Defense Minister Hill stated that Australia was ready to expand joint exercises, allow the United States unilaterally to conduct training in Australia, and enhance facilities for United States naval crews to rotate through Australia.<sup>15</sup> The opposition Labor Party views these measures as unnecessary.<sup>16</sup>

The United States and Australia conduct many joint military exercises and Australia purchases much of its military equipment from the United States. U.S. Pacific Commander Adm. Fargo has pointed to the importance of maintaining interoperability with Australia across “the full spectrum of contingency operations” while describing Australia as the “southern anchor of our security architecture in the region.”<sup>17</sup> The Australian government has also supported American plans to develop a missile defense system though this view is not necessarily shared by the Labor Party opposition.<sup>18</sup> To meet its expanding military commitments, which are in part driven by alliance considerations, Australia announced in May 2003 that defense spending would increase over the next several years. Government officials projected defense spending to rise from AS\$13.3 billion in 2001/2002 to AS\$15 billion in 2003/2004.<sup>19</sup> Furthermore, the recent appreciation of the Australian dollar relative to the United States dollar will increase the buying capacity of the government budget for procurement.

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<sup>10</sup> For background and more detailed discussion of security and trade issues see CRS Report RS21358, *Australia: Background and U.S. Relations*, by Bruce Vaughn; CRS Report RS21459, *Australia-U.S. Economic Relations* by William Cooper and Wayne Morrison; and CRS Report RL21476, *U.S.-Australian FTA Negotiations*, by William Cooper.

<sup>11</sup> Kurt Campbell & Celeste Johnson Ward, “New Battle Stations?” *Foreign Affairs*, September/October, 2003.

<sup>12</sup> Barbara Opall, “Krulak Pursues Base Alternative,” *Defense News*, June 10, 1996.

<sup>13</sup> J. Kremmer, “U.S. Said to Eye Troops Deployment,” *The Washington Times*, May 26, 2003.

<sup>14</sup> Senator Akaka, Senate Armed Services Committee Hearing, “Helping to Win the War on Terror,” September 9, 2003.

<sup>15</sup> “Australia’s Growing Importance to United States Military Plans,” *Stratfor*, June 4, 2003.

<sup>16</sup> “Australia Would Consider Hosting U.S. Military Bases,” *Channelnewsasia*, August 5, 2003.

<sup>17</sup> Admiral Thomas Fargo, “U.S. Security Policy in Asia,” Testimony Before the House International Relations Committee - Subcommittee on Asia and the Pacific, June 26, 2003.

<sup>18</sup> Anthony Smith, “Still Great Mates: Australia and the United States,” *Asian Affairs*, Summer, 2003.

<sup>19</sup> Robert Wall, Defense Boost Australia Plans Modest Increase in Defense Spending,” *Aviation Week and Space Technology*, May 19, 2003; Hon. Peter Costello, Treasurer of the Commonwealth of Australia, “Budget Speech — 2003-04,” May 13, 2003.

## Australia's Role in the Region

Australia took the lead in addressing the humanitarian crisis in East Timor that followed the 1999 referendum for independence from Indonesia. After the referendum, local militias, which favored continued association with Indonesia, attacked pro-independence East Timorese. By leading an international peacekeeping coalition to East Timor, Australia lessened pressure on the United States to become more extensively involved. Australia's subsequent involvement in East Timor has helped East Timor develop into an independent, viable state, though negotiations continue for a full agreement on how to divide the oil and gas resources that lie beneath the Timor Sea. Conocco Phillips, an American corporation, stated in June 2003 that it was moving forward with a \$1.5 billion liquefied-natural-gas development in the Bayu-Undan area of the Timor Sea that separates East Timor from Australia.<sup>20</sup>

Australia, along with New Zealand, continues to play a constructive role in the cease fire and peace process on Bougainville, where the two nations have helped restore order and improve the prospects for a lasting agreement between the people of Bougainville and Papua New Guinea. Australia became involved in the Peace Monitoring Group in 1997, that was intended to support the implementation of the Burnham Peace process negotiated in New Zealand by the Bougainville independence movement and the Papua New Guinea government.<sup>21</sup>

Recent events in the Solomon Islands point to a renewed commitment by Australia to promote stability in its region that is inspired by the need to prevent failed states in the age of terrorism. Inter-communal strife in the Solomon Islands reduced it to a virtual failed state by 2003. In response, Australia, along with New Zealand, Fiji, Papua New Guinea and Tonga, dispatched a force of 2,300 troops to reinstate the rule of law and good governance as part of the Regional Assistance Mission. This was done largely to reduce the prospect that the Solomons would become an ungoverned area from which transnational crime, and potentially terrorists, could operate or draw support.<sup>22</sup> Australia has also proposed the establishment of a region-wide police force to more effectively police the region. Australia's renewed activism in the Pacific is not universally accepted. Some in Australia and the region are concerned that it could mark a return to neo-colonial activity by Australia in the area.<sup>23</sup>

## China's Growing Regional Influence

China has become increasingly active — diplomatically and economically — in the Southwest Pacific. Some analysts suggest that its current involvement could result in strategic benefits for China in the long term. While the United States does not maintain an embassy in several Pacific Island countries, the People's Republic of China (PRC) has opened embassies in all countries with which it has diplomatic relations and has provided bilateral assistance and high-profile visits — with little criticism of their internal policies. The PRC has provided funding, materials, labor, and technical assistance for infrastructure projects (roads, airports, sports stadiums, government

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<sup>20</sup> Andrew Trounson, "ConocoPhillips Agrees to Timor Sea Project," *Asian Wall Street Journal*, June 16, 2003.

<sup>21</sup> Derek McDougall, "Australia's Peacekeeping Role in the Post-Cold War Era," *Contemporary Southeast Asia*, December, 2002.

<sup>22</sup> "Pacific Islands Potential Terrorist Staging Points," *Sydney Morning Herald*, November 24, 2003. See also Tarcisius Tara Kabutaulaka, "Australian Intervention in Solomons: Pre-emptive Strike Against Terrorism," *East West Wire*, July 14, 2003.

<sup>23</sup> Janaki Kremmer, "Australia Shed Colonial Worries, Moves to Boost South Pacific Role," *The Christian Science Monitor*, August 1, 2003.

complexes, hotels, mining operations) and financed the Pacific Trade Office in Beijing to promote trade and investment between China and Pacific Island states. Over 3,000 Chinese state and private companies reportedly have invested \$800 million in the Southwest Pacific.<sup>24</sup> Although China is still not a major bilateral aid donor in the region, it has become the second largest aid donor to Papua New Guinea, the most populous Pacific Island nation.

According to some foreign affairs analysts, China's aims have been two-fold. First, China has attempted to thwart Taiwanese diplomatic efforts in the region. Taiwan has actively courted the region, establishing diplomatic relations with four Pacific Island states at China's expense — Palau, the Solomon Islands, Tuvalu, and the Marshall Islands. Taiwan has offered these and other Pacific Island countries economic and development assistance — helping to build or provide hospitals, airports, copra processing equipment, ships, grants and loans. So eager are some states for assistance that they often switch allegiances without warning or threaten to change sides. Nauru, for example, which recognized China over Taiwan in July 2002, reportedly threatened to renew ties with Taiwan a year later — until China agreed to extend more loans to the island nation.<sup>25</sup> In November 2003, Kiribati established ties with Taiwan, despite having diplomatic relations with China since 1980 and renting land to the PRC for a space tracking station.<sup>26</sup>

Second, some experts argue, China has hoped to raise its diplomatic and, ultimately, strategic influence in the region and its shipping lanes. The PRC reportedly has occasionally applied diplomatic or economic pressure on Pacific Island countries to oppose actions of Taiwan or Australia in the region or to influence voting in the United Nations. According to one account, for example, the Vanuatu government publicly expressed reservations about the Australian-led peacekeeping mission in the Solomon Islands following a visit by its prime minister to Beijing.<sup>27</sup> Although China does not possess a “blue water” navy capable of challenging the U.S. in the region, some experts assert that it plans to develop one. China reportedly has provided “modest” military support — training and non-combat defense supplies rather than weapons — to Pacific Island countries that possess military forces — Fiji, Papua New Guinea, Vanuatu, and Tonga. Since 1997, China has operated a satellite space-tracking station on Tarawa Atoll in the Republic of Kiribati. Some analysts argue that the base could be used for monitoring U.S. missile defense tests at Kwajalein Atoll in the Marshall Islands.

While not opposing the U.S. and Australian presence in the region, many Pacific Islands countries have been attracted to China as an “anti-colonial” power, welcomed the aid and attention from China and Taiwan, and appreciated China's relative support on some issues such as the global warming treaty (Kyoto Protocol) to reduce greenhouse emissions. Some regional analysts, Members of Congress, and leaders of Australia have advocated stronger roles for the United States, Australia, and Japan in the Southwest Pacific as counterweights to growing Chinese influence.<sup>28</sup>

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<sup>24</sup> John Henderson, et. al., “Dragon in Paradise: China's Rising Star in Oceania,” *The National Interest*, Summer 2003.

<sup>25</sup> Frank Ching, “Unfaithful Friends,” *South China Morning Post*, November 13, 2003.

<sup>26</sup> China is reportedly dismantling the station in response to Kiribati's recognition of Taiwan. Philip Pan, “Tiny Republic Embraces Taiwan,” *Washington Post*, November 27, 2003.

<sup>27</sup> “China, Vanuatu Team Up in the Solomon Islands,” *Stratfor*, July 1, 2003.

<sup>28</sup> “Neither Isolated nor Isolationist: The Legacy of Australia's Close Engagement with Asia,” Alexander Downer, Murdoch University Asia Research Center, August 11, 2000.

Figure I. Map of the Southwest Pacific



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